



**Brief submitted by the Fonds de solidarité FTQ
Presented to the House of Commons Standing Committee on Finance
as part of the Pre-budget Consultations for the 2019 Budget**

August 3, 2018



Summary of recommendations

Recommendation 1:

That the government continue its efforts to foster an economically just society by promoting inclusive growth, supporting models of economic development that stimulate it and promoting its international development.

Recommendation 2:

That the government promote and support a fair energy transition that takes into consideration:

- Workforce training in companies ahead of the energy transition;
- Support for workers who need to redirect their career because of the energy transition;
- The means to stimulate business research and development related to energy transition issues.

1. Context

As part of the prebudget consultations, the Fonds de solidarité FTQ wishes to provide its comments to the House of Commons Standing Committee on Finance in order to contribute to the development of the government of Canada's 2019 budget. The Fonds wishes to contribute its expertise, its vision and its recommendations to participate in the realization of this budget under the theme: "Economic growth, a guarantee of Canada's competitiveness."

2. The Fonds de solidarité FTQ: for a strong middle class

Created in June 1983, the Fonds de solidarité FTQ is a capital development fund that calls upon the savings and solidarity of the entire population. The Fond's business model promotes more inclusive economic growth that helps strengthen the middle class and Canada's competitiveness.

Its main mission is to contribute to Québec's economic growth by creating, maintaining or safeguarding jobs through investments in businesses in all sectors of the economy. One of its goals is also to encourage saving for retirement and providing its hundreds of thousands of shareholder-savers with a reasonable return on top of the tax benefits they receive.

The Fond's shareholders enjoy a 15% tax credit from the Quebec government and 15% from the government of Canada for the purchase of shares, up to a maximum of \$ 5,000 per year. Those contributions are also RRSP eligible.

This tax credit is a powerful tax tool and offers many advantages to encourage saving and stimulate economic development. Since the federal tax credit is capped at \$750 a year and is allocated directly to investors, it has a significant impact in encouraging the middle-class to save for retirement. As a result, it reduces pressure on the state in the long run by preparing hundreds of thousands of citizens for their retirement.

This incentive to save makes funds available that are required to develop the economy in all regions through investments that will create, maintain or save hundreds of thousands of jobs. The tax credit also makes patient capital available for investments in projects that are less attractive to the traditional financial sector, including social projects, corporate bailouts and riskier business ventures, which offer lower returns.

The sums invested by the governments in the form of tax credits are very effective and provide a leveraging effect. Indeed, each dollar of federal tax credit granted to the Fonds de solidarité FTQ shareholders translates to \$6.65 in investment capital made available to businesses. In addition, according to a 2016 KPMG analysis, the government of Canada recovers its investment in just 7 years¹ thanks to the economic added value created by the Fond's investments.

With net assets of \$14.3 billion as at May 31, 2018, the Fond contributes to the creation and maintenance of 194,746 jobs. The Fond has over 2,800 partner companies and over 667,000 shareholder-savers, mainly from the middle class.

3. Inclusive growth to stimulate Canada's competitiveness

On many occasions, the government of Canada has expressed its desire to see the emergence of a more just and economically equitable society. The Fonds de solidarité FTQ subscribes to this vision and believes in those values. At a time when several international institutions, including the OECD and the IMF, are pondering the guidelines to adopt for more inclusive growth, the Fond encourages the government to continue its efforts to showcase those values on the global stage and to promote the examples that make Canada a just and prosperous society.

In a recent research report by the Institut de recherche en économie contemporaine (IREC), researchers Nicolas Zorn, Rodolphe Parent and Robert Laplante² recognized the relevance and contribution of Canada's tax-advantaged funds to inclusive growth. The researchers noted the contribution of those funds to that concept by the way it supports the middle class, reduces inequalities and promotes retirement saving. The report also recognizes the regional balance that those funds create by offering financing to SMEs with favourable terms

¹ KPMG. "Analyse de l'impact économique des investissements du Fonds de solidarité des travailleurs du Québec." Online. <http://bit.ly/2MgK09L> (document accessed August 3, 2018). (only in French)

² Nicolas ZORN, Rodolphe PARENT and Robert LAPLANTE. "[Les Fonds d'investissement de travailleurs, instruments de croissance inclusive ?](#)," *Institut de recherche en économie contemporaine*. Online (document accessed on August 3, 2018). (only in French)

– a supply of credit that is not always available outside major centers – and that contribute to the creation of quality jobs throughout the country. The study also recognizes that tax-advantaged labour funds generally occupy a financial niche often neglected by private banking institutions, i.e., projects that are economically riskier and more valued for their social impact.

The Fonds de solidarité FTQ recommends that the government of Canada continue its efforts to promote an economically just society. It recommends that the next budget be prepared to promote inclusive growth, support the models of economic development that favour it, and promote its international development.

4. A fair energy transition to support Canadian competitiveness

The government of Canada has taken the issue of climate change seriously and has ambitiously targeted greenhouse gas reduction. In doing so, it sends the message that several sectors of economic activity will have to transform themselves in the medium and long term.

The Fonds de solidarité FTQ believes that this important environmental shift is necessary. It therefore encourages the government to advance its thinking in this area by developing its strategy to support the Canadian economy in an equitable and wealth-creating energy transition. The Fond believes that a fair energy transition is a key requirement in the fight against climate change.

In recent months, a number of Quebec players from the environmental, employer, union, social and financial sectors, including the Fonds de solidarité FTQ, have started to reflect on the topic of fair energy transition. These reflections were fueled by the desire to successfully make this environmental shift, while limiting the risks associated with the transformation of our economy. The energy transition offers great potential for economic growth, but it can also be a cause of social injustice if it is not properly drafted. It should therefore be planned by the state and take into consideration the changes needed to support Canadian workers and communities in this shift.

The challenge of workforce training will have to be at the heart of this reflection. It will be necessary to find incentives to stimulate the development of employed workers, but also, it will be necessary to put in place mechanisms to support and train workers who will have to direct themselves to new sectors of activity.

As far as businesses are concerned, we already know that certain sectors of the economy will have to modify their processes in order to reduce their dependence on fossil fuels. In order to find substitutes for certain raw materials, modify processes or change energy sources, those companies will first have to carry out research and development. The government will therefore have to ensure that companies prepare for this energy transition through innovation. In the event that investments in innovation are not sufficient, the Canadian government will have to think of ways to stimulate research and development related to the energy transition to ensure the stability of the Canadian economy ahead of this environmental shift.

The Fonds de solidarité FTQ recommends to the government of Canada that the next budget include measures to encourage and support a fair energy transition that takes into consideration:

- Workforce training in companies ahead of the energy transition;
- Support for workers who need to redirect their career because of the energy transition;
- The means to stimulate business research and development related to energy transition issues.

5. Conclusion

We hope that our comments and recommendations have been informative and useful to members of the House of Commons Standing Committee on Finance and will contribute to the development of the government of Canada's 2019 budget. We remain available to provide more information on our recommendations.